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SECURITY INFORMATION

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GENERAL

1. Japan willing to settle certain wartime financial claims of Italy: The Japanese Government has informed the Italian Ambassador in Tokyo that it is ready to pay an indemnity to settle damages suffered by Italian diplomatic and consular officials during their period of internment in Japan between 9 September 1943 and 15 September 1945. Japan concedes that its wartime actions toward the officers were "not in conformity with international usages."

The American Embassy in Tokyo reports that the Italian Ambassador, who is "elated" by this offer, fears that Rome nevertheless may continue to insist on reparations for Italian property damaged between 1943 and 1945. (C Tokyo 738, 28 Aug 52)

Comment: Postwar relations between Italy and Japan, although not unfriendly, have been somewhat strained by Italian claims for reparations for property damages in the period after Italy quit the Axis. Although Italy was not a party to the peace treaty signed at San Francisco, it subsequently exchanged notes with Japan ending the "war." Italy reserved the right to seek reparations and indemnities.

SOVIET UNION

2. Mongolian delegation arrives in Moscow: The Mongolian Prime Minister and his Deputy Minister of Foreign Affairs arrived in Moscow in August and were met by a delegation headed by Mikoyan, Vice Chairman of the USSR Council of Ministers and Chairman of the Council of Economic Mutual Assistance. (R FBIS [REDACTED] 28 Aug 52)

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Comment: This arrival strengthens the possibility that the current Sino-Soviet conference may devise a plan for integrating the economies of the Communist Far East countries with the USSR. Such a development would complement the Soviet-East European economic bloc.

On arrival the Mongol Premier commented that the "new grand program of the next Five-Year Plan of the Soviet Union would further promote and consolidate the economic, cultural and administrative development" of Mongolia. This, together with the fact that Mongolia's present Five-Year Plan expires this year, suggests that the USSR is formulating not only a new Five-Year Plan for Mongolia but, possibly in conjunction with the Chinese, an over-all program for the Communist Far East.

A new Five-Year Plan for Mongolia would probably stress the development of natural resources, particularly mining, which would contribute to the development of the Lake Baikal economic complex centered around Irkutsk.

3. French Communists speculate on Soviet Party Congress: Some French Communists and fellow-travelers reportedly interpret the forthcoming Soviet Party Congress as an indication that the Kremlin anticipates a major showdown with the United States.

Consequently they believe that the war economy of the Soviet-controlled world must be speeded; the Communist parties in the USSR and abroad must be purged; and the Peace Partisans and other "peace" agencies must be active.

They conclude that the division and destruction of Atlantic economic and defense cooperation will continue as the main Communist objective in Europe. (C Paris 1256, 28 Aug 52)

Comment: Pravda is currently emphasizing the importance of strict party discipline at all levels and hinting at the necessity of punishment for any suppression of self-criticism.

EASTERN EUROPE

4. Strategically important Bulgarian rail line nears completion: Bulgaria has announced that the sub-Balkan railway line connecting Sofia with the Black Sea ports of Stalin and

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Burgas will be placed in operation in honor of the 9 September anniversary of Bulgaria's liberation by Soviet forces in 1944. The successful completion of the line, which passes over 219 bridges and through 13 tunnels, is described as a "great labor achievement" in which Soviet assistance and machinery played an important role. (R FBIS [REDACTED] 28 Aug 52)

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Comment: The completion and placing in operation of the sub-Balkan railway was listed among the primary targets of the Bulgarian economic plan for 1951. This fact was conveniently forgotten when the "fulfillment and overfulfillment" of the 1951 plan was announced in January.

In the past, the most serious defect of Bulgaria's rail transportation network has been the difficulty in clearing traffic between the Black Sea ports and the interior. The completion of the sub-Balkan line will serve at least in part to remedy this situation.

5. Bulgarian Ministry of Roads and Construction criticized for failures: An editorial published in Rabotnichesko Delo on 28 August castigated the Bulgarian Ministry of Roads and Construction for having given "insufficient and belated assistance" and having failed to exercise strict control over the work of certain construction enterprises. Noting that "many construction organizations and enterprises have recently allowed serious omissions and shortcomings which have resulted in great delays and considerable increases in production costs," the editorial demanded that the affairs of Bulgarian planning organizations "be put in Bolshevik order." (R FBIS [REDACTED] 29 Aug 52)

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Comment: On 16 August, Rabotnichesko Delo stated that "it was recently revealed" that "certain grave shortcomings in our industry, agriculture, construction industry, and cultural life are a result mainly of errors in the style of leadership provided by our leading party, governmental, and economic officials." A few days later, a decree of the Council of Ministers and the Central Committee of the Communist Party sharply criticized the Ministry of Agriculture and leaders of local party committees for their failure to adhere to statutes and economic decrees in the administration of cooperative farms.

Although considerable attention has been given to the importance of disciplined, "Bolshevik" leadership in Bulgarian party affairs for several months, a new and unusual emphasis

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was given to the problem following a speech delivered by Premier Chervenkov on 10 August. However, there has as yet been no indication that a purge might result.

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6. Czech Minister of National Defense complains of failure of sports organizations to fulfill defense requirements: Czech Minister of National Defense Alexej Cepicka complained in a speech at the Army Sports Day celebration that Czech sports and physical training were "very frequently being carried out for their own sakes" and "did not fully coincide with the interests of national defense." He blamed these deficiencies, which were particularly notable in rural communities, on the authorities of the State and the sports association. (R FBIS [REDACTED] 28 Aug 52)

Comment: The Union for Cooperation with the Army was established last November by direction of the Ministry of National Defense to utilize voluntary organizations including youth and sports groups in para-military training. In June the Sokol, traditional Czech sports association, was instructed to pay increased attention to "defense education." One year of service in the Union was reported recently to have been made compulsory for all Czech youth.

The fact that Cepicka singled out rural communities for special criticism underlines the current emphasis being placed by the government on stricter controls over the rural population.

7. Rumanian coal minister appointed: The Presidium of the Rumanian Grand National Assembly has relieved William Suder as Deputy Minister of the Armed Forces and appointed him Minister of the newly created Coal Industry. (R FBIS [REDACTED] 28 Aug 52)
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Comment: The appointment of Suder (not "Tudor Ghinau," as previously reported in Current Intelligence Digest, 27 Aug 52) brings an old coal miner and Miners' Union leader to the new post. A driving Communist and member of the party Central Committee, Suder's role in the Ministry of the Armed Forces was apparently administrative and political rather than military. Appointment of this "trouble shooter" indicates the regime's determination to build up the Rumanian coal industry.

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8. Yugoslav official predicts Hoxha ouster: The Yugoslav Government believes that Premier Hoxha may be dismissed soon and replaced by Minister of Interior Shehu, according to a Foreign Ministry official. He doubted that the Albanian regime would be overthrown, and stated that the Yugoslav Government would continue to avoid action which might provoke direct Soviet intervention. (S Belgrade 253, 28 Aug 52)

Comment: This is the first comment by a responsible Belgrade official since Yugoslav propaganda began in early August to assert that Albanian anti-Cominform resistance was increasing and that Hoxha would be purged by his party. Yugoslav-sponsored subversive activity against the regime has increased, however, and there is evidence that Tito now feels he can take stronger covert action in Albania without provoking Soviet intervention.

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FAR EAST

9. Radio Free Japan located in Nanking: Radio monitors have established that the recently inaugurated 720-kilocycle medium-wave transmitter of Radio Free Japan is located in Nanking. (R FBIS Okinawa, 28 Aug 52)

Comment: The short-wave transmissions of Radio Free Japan were previously identified as coming from the Peiping area.

There are an estimated 250,000 short-wave radio receiving sets in Japan, and almost ten million sets capable of receiving medium-wave broadcasts. The inauguration of medium-wave transmissions will permit Communist broadcasts to be heard in approximately 55 percent of Japanese homes.

10. Japanese Trade Ministry authorizes barter trade contract with USSR: The Ministry of International Trade and Industry, in early August, authorized the barter of 189,000 pounds of Japanese rayon yarn in exchange for 13,000 tons of Sakhalin coking coal, according to the US Embassy in Tokyo. The transaction provides that Japanese ships will carry the coal and that delivery of the yarn will not be effected until one month after the coal has been received in Japan. The coal is priced at \$11 per ton f.o.b. (R Tokyo 255, 6 Aug 52)

Comment: At least three firm Soviet offers of Sakhalin coal have been proposed during the past year, but none of the deals have been consummated. The willingness of the Soviet Union to accept a non-strategic commodity for coking coal may well stem from political rather than economic motives.

Trade between Japan and the USSR virtually ceased following the outbreak of the Korean war. Although Foreign Minister Okazaki stated in June that a peace treaty must precede resumption of trade with the USSR, it is unlikely that the Foreign Ministry will block this kind of transaction.

11. Soviet personnel departing from Japan: The Soviet Mission in Tokyo, on 29 August, requested from the British Embassy visas for 25 members returning to the USSR through Hong Kong, according to Ambassador Murphy. The departing members include the deputy chief of the mission and the chief of the political section.

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The American Embassy feels this may be one of several staff reductions to make the mission a small trade delegation. There will be 40 working members and 14 dependents remaining. (C Tokyo 766, 29 Aug 52)

Comment: The Soviet Mission has contended that the coming into effect of the "illegal" peace treaty would not affect its status in Japan. The Japanese, however, have denied it diplomatic privileges and are keeping the personnel under constant police surveillance.

All aliens in Japan were required to register with the Japanese Government by 26 July. As a possible hedge, the mission on 22 July without comment presented a list of its personnel to the Foreign Ministry.

12. South Korean Home Minister replaced by Yi Pom-sok adherent:
In a surprise move on 29 August, President Rhee replaced Home Minister Kim Tae-son with a provincial governor, Chin Hon-sik. Chin is reported by the US Mission in Korea to be an extreme rightist and an associate of Louise Im and Yun Chi-yong, members of the inner clique surrounding President Rhee.

Also replaced in this latest cabinet shift was the reasonably competent Minister of Agriculture Ham In-sop. The new Minister is Sin Chung-mok, a strong pro-Rhee member of the National Assembly.

Prime Minister Chang Taek-sang, who, according to a recent constitutional amendment, must propose cabinet changes, was not informed of this shuffle until it was announced. (C Pusan 268 and 269, 30 Aug 52)

Comment: Rhee by this illegal move has effectively stopped any serious bid for power that might have emanated from Prime Minister Chang and former Home Minister Kim. The appointment of Governor Chin, an intimate of the defeated vice-presidential candidate Yi Pom-sok, to the powerful Home Ministry may indicate a resurgence of Yi Pom-sok's influence.

13. Sino-Dutch barter deal gets tentative approval from The Hague: The Dutch Ministry of Economic Affairs has given tentative approval to a barter transaction involving the exchange of 17.5 million guilders (about 4.7 million dollars) of paper, sugar, pharmaceuticals, and chemicals for an equivalent amount

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of Chinese soybeans and groundnuts. The Ministry has indicated that exporters will have to obtain individual approval for each shipment under this deal. (C The Hague 289, 28 Aug 52)

Comment: Following the Moscow Economic Conference, the Chinese negotiated several barter deals with Western businessmen, hoping thus to exploit the sentiment in business circles for a revival of East-West trade and thereby counter American pressures for strengthening export controls. Even though the Sino-Dutch barter deal may not involve highly strategic items, Communist propaganda can point to it as indicative of the profits to be expected from a relaxation of export controls.

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14. Viet Minh prepares for fall offensive: [REDACTED]
[REDACTED] the actions of Viet Minh military units in north Vietnam indicate that preparations have been begun for an October offensive. Although no major shifts of divisions have occurred, there has been some regrouping of smaller units, including artillery. A campaign in the "middle Tonkin area" is being planned.

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[REDACTED] there may be an offensive in the northwestern sector of the Tonkin delta, with a diversionary attack on the southern perimeter. [REDACTED]

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15. Removal of Tonkin Governor widely rumored: The US Consul in Hanoi reports "disturbing" rumors, which are becoming increasingly persistent, that Governor Binh of Tonkin will soon be replaced. The Governor has characterized the reports as a phase of the "war of nerves" Premier Tam was waging against him.

The top French official in Tonkin, while inexplicably depreciating the significance of the rumors, said they tended to reinforce other indications that Tam will discard Binh before November. (S Hanoi 128, 28 Aug 52)

Comment: Another source in Hanoi has reported that Tam has decided to remove Binh, and rumors of a change are current in Saigon and Paris.

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Binh is one of the ablest, most popular officials in Indochina and his continuance in office is considered vital by the French commander in Tonkin. It would be extremely difficult to find a competent replacement for Binh; a less efficient and popular official could have a serious adverse effect on the war effort in North Vietnam.

16. Large-scale Communist movement in Thai-Malayan border area discounted: British military and police sources in Singapore and Kuala Lumpur discount the 20 August report of large-scale Communist movement in the Thai-Malayan border area. The only border activity which occurred took place when a combined force of Siamese and Malayan police contacted 35 guerrillas. Local British intelligence states that unverified reports indicate the terrorists are moving to establish liberated areas just inside the Thai border. (S Singapore 251, 29 Aug 52)

Comment: A British official in northeastern Malaya told the American Consul in Penang on 20 August that a force of 500 bandits was reported moving toward Padang Besar, a village on the Thai border. British police commented at the time that they believed the size of the force was much exaggerated.

17. Non-Communist political leader comments on Indonesian participation in Peiping peace conference: Tambunan, Vice Chairman of Parliament and parliamentary leader of the Christian Party, stated to a Communist newspaper that the September Peiping Asian Peace Conference "is a true reflection of the feelings of friendship and love toward all peoples of the world, even though sympathizers could be dubbed Communists." He continued that one could hear much propaganda trying to sow seeds of hate for "the Soviet peoples and the people of other people's democracies" and that Indonesia should take the opportunity presented by the peace conference "to know these people firsthand and strengthen the bond of friendship with them." (R Djakarta 412, 28 Aug 52)

Comment: Tambunan, a garrulous advocate of Indonesia's "independent" foreign policy, is as eager to resist commitment to the Soviet bloc as to the Western bloc. His insistence, like that of many Indonesians, of seizing every "opportunity" to know the "people of the people's democracies," makes good propaganda for the Communists and enhances to some degree the political prestige of the Indonesian Communist Party, now engaged in united front tactics.

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The Indonesian Government has not tried to hinder the peace committee's plans to send a delegation to Peiping.

18. Indonesian press comments adversely on Moslem pilgrim airlift: Among unfavorable press comments on the American airlift of Moslem pilgrims in the Middle East, the Socialist daily in Djakarta stated that the "real reason for the airlift is a US gesture in support of efforts to set up a Middle East defense pact." The US Ambassador commented that Indonesians are in no mood to accept the United States as a benefactor in any respect. (C Djakarta 413, 28 Aug 52)

SOUTH ASIA

19. World Buddhist meeting in Japan may become pro-Communist, anti-American propaganda vehicle: The world Buddhist meeting in Tokyo beginning on 25 September will be attended by an influential Ceylonese Buddhist delegation which includes Dr. G. P. Malalasekera, president of the World Fellowship of Buddhists and the Ceylon Buddhist Congress. He intends to preside over the gathering and it is reported that he plans to make "world peace through Buddhism" the conference theme. (C Colombo 85, 26 Aug; C Colombo Desp 982, 21 June 52)

Comment: Malalasekera is an opportunist whose opinions have vacillated from being pro-American to anti-American, pro-Communist. Recently he was rebuffed by American cancellation of a State Department sponsored trip to the United States which had been awarded to him earlier. The cancellation was made on grounds of his public anti-American statements and publications.

Unwittingly, or through the influence of leftist associates, Malalasekera might be persuaded to turn the conference into a pro-Communist propaganda vehicle, particularly in view of the American rebuff. A deterrent, however, would be the traditional disinclination of Japanese Buddhists to engage in political activities.

20. British may ask India to reconsider request on Gurkhas: The British Foreign Office is considering asking Indian Prime Minister Nehru to reconsider his recent request that Britain stop the "recruitment" of Nepali Gurkha troops in Indian

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territory, but anticipates that he would probably refuse. The American Embassy in London comments that the Indian move has caused the British much embarrassment, since they cannot afford to offend India, despite their concern over the possible eventual loss of the Gurkhas.

A Foreign Office official comments that the legal status of the British recruiting depots in India is not clearly defined in the 1947 treaty, and that therefore Britain's position is weak. It hopes that Nehru will agree to moving the depots into Nepal. Otherwise it will probably be necessary to process recruits in Malaya. Foreign Office officials also fear that if India's "heavy-handed meddling" in Nepal's internal affairs continues, the hill tribes throughout Nepal, Sikkim, Bhutan, and Assam, including the Gurkhas, may become "restive," ending their usefulness as a source of manpower for Britain, and providing an excuse for direct Indian or even Chinese intervention. (S London 1121, 27 Aug 52)

21. Communist Party holds first public political meeting in Kashmir: The first public political meeting in Kashmir organized by the Indian Communist Party was held in Jammu on 26 August. The Communist spokesman asserted that Kashmir's future would be assured only through accession to India. He also urged that the Kashmir case be withdrawn from the United Nations. The spokesman stated that the Communist Party had decided to work openly "under the hammer and sickle red flag." (U New Delhi 813, 26 Aug; 826, 27 Aug 52)

NEAR EAST - AFRICA

22. Mossadeq considering 80 percent reduction in armed forces: Prime Minister Mossadeq, in a recent conversation with Ambassador Henderson, stated that he was considering an 80 percent reduction in Iran's armed forces. Henderson believes that this is not an idle threat, and that if drastic economies were necessary, Mossadeq would prefer to cut the armed forces rather than other government agencies. [REDACTED]

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Comment: Mossadeq has repeatedly said that he might cut the size of the armed forces, and National Front extremists in parliament have demanded a radical reduction. The Prime Minister appears to realize the need to maintain the army as an effective force, however, and there is no indication that he will take such drastic action.

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23. Greek Chief of Staff may recommend 15 percent reduction of armed forces: The chief of the Greek General Staff told Ambassador Pourifoy and Admiral Carney on 28 August that the armed forces could be reduced to 165,000 men without endangering Greece's security. He explained that the government could not legally reduce its armed forces until he had delivered his technical report, which would take at least 30 days.

Admiral Carney warned that if Greece's armed strength fell below the point necessary to defend the country, he would be forced, as NATO commander, to make the fact public. (S Athens 705, 28 Aug 52)

Comment: Greek officials have been insisting that the country's armed forces, now numbering approximately 193,000 strong, must be reduced sharply because the United States has decreased its aid. Greece has not yet announced the forces it will assign to NATO.

24. Lebanese junior officers reportedly planning army coup: Senior officers of the Lebanese Army, loyal to the present political regime in Beirut, admit the possibility of junior officers engineering a coup against both the government and the military high command. The source of this information states that the possibility of a coup is being discussed by all classes of Lebanese society. (S SO PD 038, 29 Aug 52)

Comment: Reports from Beirut during the past three months have indicated considerable Lebanese discontent with the corruption and nepotism of the Khouri government. Political tensions created by various anti-Khouri forces in June and at the end of July failed to bring the fall of the government chiefly because opposition groups were unable to unite. The experienced and entrenched government has recently made some gestures toward a reform program.

25. General amnesty of Tunisian political prisoners delayed by Residency General: The Acting Resident General in Tunis states that political detainees now number 542, almost 200 less than the number held six weeks ago. In the absence of the Bey's approval of the French reform program, the Residency plans to continue releases at about the present rate, although the Resident General had hoped to make a gesture of general amnesty. (C Tunis 68, 29 Aug 52)

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Comment: Despite the small number of political prisoners, Tunisian jails have become overcrowded in the last eight months with persons charged with criminal offenses. This overcrowding is so serious that authorities decided to remove some of the inmates to Algerian prisons. In protest to the removal order, 71 prisoners in the main city prison in Tunis rioted on 29 August.

26. Tunisian nationalist offensive lags: The American Consul General in Tunis reports that the nationalist offensive is apparently losing its impetus. He also confirms French reports that a disagreement exists within the Bey's advisory council. Although the faction which advocates outright rejection of French reform proposals is likely to prevail, the final reply may reflect the moderating influence of the group which would accept some of the program and request specific changes in other parts. (C Tunis 70, 29 Aug 52)

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WESTERN EUROPE

27. East Germans call for "mass actions" against Bonn and Paris treaties: American officials in Berlin believe that the appeal of the East German Socialist Unity Party for "mass actions" against West German ratification of the contractual agreement and EDC treaty and in favor of a four-power conference on a peace treaty may presage a new and intense propaganda campaign for German reunification. Although aimed primarily at the West Germans, its purpose would be to convince East Germans of the validity of satellization as an alternative to Western "obstruction" of reunification.

American officials doubt that either the Russians or East Germans want an international investigation of election conditions in the East Zone. (C Berlin 358, 28 Aug 52)

Comment: The East German Council of Ministers on 28 August passed a resolution in support of the latest Soviet note and calling upon the East German parliament to take "necessary decisions" toward the formation of an all-German election committee. That these moves are essentially defensive is suggested by the renewal of previous offers to rescind East German security measures once agreement on all-German elections has been reached. A period of intensified unity propaganda is anticipated, although the Communists no longer have any real hope of preventing West German ratification of the Bonn and Paris treaties.

28. German Socialists favor four-power negotiations: In official comment on the latest Soviet note, the central committee of the West German Social Democratic Party declared that the problems which must be the subject of four-power talks cannot be solved by an exchange of notes. Use of the Soviet-proposed order of agenda as a pretext for not holding such talks was rejected.

The party press chief who helped draft the statement has stated privately that the Socialists realize "now more than ever" that unity cannot be achieved under present conditions. Nevertheless, he said, the West should agree to big-four talks. (C Bonn 849, 27 Aug 52)

Comment: In his first speech since Schumacher's death, acting party chairman Ollenhauer said that although the Soviet note did not coincide with the Socialist views in many respects,

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the Bonn government should study the chances for a "genuine four-power conference." However, Berlin Mayor Reuter, another Socialist leader, has emphatically advised American officials against accepting the offer to negotiate now without further exchanges and clarifications.

29. Schuman reportedly more flexible on Saar issue: A French official close to both Schuman and Pinay believes that failure to agree on a Saar settlement now would not threaten ratification of the EDC treaty, but that French concessions with respect to their economic position in the Saar would. Stating that press accounts of the recent Schuman statements before the French National Affairs Committee were inaccurate, he asserted that some French territory might be ceded to a Europeanized Saar if "agreement really depended only on this." (S Paris 1276, 28 Aug 52)

Comment: While the official's statements were ostensibly an attempt to clarify press reports attributing an unduly nationalistic stand to Schuman, they indicate a greater flexibility in the French position than has lately been apparent.

30. Soviet official shows concern over reference of Austrian question to UN: Soviet Political Adviser Kudryavtsev, at a meeting with Foreign Minister Gruber on 26 August, argued against submission of the Austrian treaty question to the UN General Assembly. He stated that the problem was beyond the competence of the United Nations and that a hearing there would only further complicate matters.

Kudryavtsev also observed that the "Austrian Government must have known that an abbreviated treaty would be unacceptable to Moscow." He then expressed interest in Vienna's attitude toward the old draft treaty. (S Vienna 574, 27 Aug 52)

Comment: At the time the Soviet Government rejected the Western proposals for a short treaty, it also took issue with the Austrian suggestion that the old draft treaty is no longer acceptable to the Austrian parliament. Kudryavtsev's inquiry with respect to the old treaty could reflect Russian concern over the possibility of losing valuable economic concessions as a result of its long stalling on an Austrian settlement.

31. Coal-steel pool to push vigorous anti-cartel measures: Jean Monnet, chairman of the Schuman Plan High Authority, has revealed

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to Ambassador Draper that he expects that most of the coal-steel pool's difficulties will be created by government bureaucracies and professional cartelists now issuing regulations for the coal and steel industries. He is very optimistic, however, of the ability of the High Authority to enforce the anti-cartel provisions of the Schuman Plan. (S Paris POLTO 236, 29 Aug 52)

Comment: Monnet seemingly plans to spike criticism that the coal-steel pool is a reversion to the pre-1914 cartel system. He has avoided identifying the pool with the Council of Europe, as the British would have preferred, and hopes to gain support for a European political community by getting the Schuman Plan off to a good start.

32. Britain now expected to support December NAC ministerial meeting: The British North Atlantic Council representative believes that in a few days his government, which had favored an October ministerial meeting, will express support for the American proposals for a 15 December meeting and for completion by that time of the NATO annual review. At the 28 August session, all other NAC representatives "explicitly or tacitly" agreed to try to have the review ready for ministerial action in December.

American representative Draper comments that the 28 August meeting was the "most constructive and vital" he has attended and was particularly notable for the cooperative attitude regarding the US position on the timing of the ministerial meeting. He believes that the general discussion of German problems which took place has greatly encouraged the smaller NATO countries by giving them a sense of participation without endangering the policies of the three occupying powers. (S Paris POLTO 228, 29 Aug 52)

Comment: Britain had previously doubted that the review would be ready by December and had advocated an earlier meeting to give a psychological boost to the members' efforts to meet their rearmament targets for this year.

LATIN AMERICA

33. Chilean Foreign Minister apprehensive about political stability: The Chilean Foreign Minister foresees "peril disturbances" if presidential candidate Ibanez del Campo loses first

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place by a few votes, and "much more so if he gets top ranking." The government, the American Embassy states, is aware that followers of Ibanez are training an "armed militia" with which the forces of the rightist and center-left candidates "cannot cope." The Foreign Minister stated that the Communists are reportedly prepared to fight in the streets for any candidate obtaining the plurality vote.

The Foreign Minister believes that Ibanez' chances now are for third place, with the rightist and center-left candidates running even. (C Santiago 69, 28 Aug 52)

Comment: Ibanez' followers may create disorders or attempt a coup before December if the 4 September election appears rigged against him or if he wins a plurality and is not chosen president by the Chilean congress. One other report has stated that an Ibanista faction was "believed to be secretly training popular militia groups."

The Chilean Government's expressed fear of Ibanez and of possible disturbances may be attributed in part to its desire to have American firms give financial aid to the center-left candidate, and may actually reflect President Gonzalez Videla's fear of the wealthy rightist candidate.

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34. Threat of revolt in Ecuador not seen serious: [REDACTED]

25X1C [REDACTED] many senior Ecuadoran army officers are again actively seeking support for a revolt against President Velasco Ibarra. These officers expect to be removed from their posts following Velasco's inauguration (a five-day ceremony which began on 30 August). [REDACTED] the Velasco forces feel that a revolt would most likely be attempted during the first days of the new administration, but that it could easily be put down. 25X1C

An attempt at revolt by the senior officers at this time does not appear probable. The senior officers were violently opposed to the election of either former dictator and now President Velasco Ibarra or Conservative runner-up Alarcon Falconi, both of whom were opposed to the Liberal, anti-clerical tradition of the army. Reportedly, these officers hoped to take over the government prior to the June elections, but made no actual attempt since they were unable to gain sufficient support from the junior officers or the police. There have been no reports to indicate that they have more support now than they had in June.

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Although the senior officers may, through the justified fear of being purged, make a sudden attempt as the Velasco forces reportedly fear, it seems more likely that they will wait for Velasco to show signs of playing dictator again and thus assure themselves of a broader base of support. (Factual data from: S [REDACTED] C Quito 811, 29 Aug 52)

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